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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 002170

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EAID, PK, IN

SUBJECT: NSG MUST "ACCEPT INDIA AS IT IS," ACCORDING TO  
MINISTER SHARMA

Classified By: Charge d'Affaires Steven J. White for reasons 1.4 (b, d)

11. (C) Summary. In an August 6 meeting with the Charge, Minister of State for External Affairs Anand Sharma thanked the USG for its efforts to advance the U.S.-India Civil Nuclear Initiative and reaffirmed the GOI message -- accept India as it is -- in the lead up to the August 21-22 Nuclear Suppliers Group (NSG) plenary. Sharma emphasized that any qualifiers to the NSG exception would be "virtually impossible" for the GOI to accept and asserted that India "deserved" the initiative as Prime Minister (PM) Singh had risked his government in order to move forward with the deal. He also proffered that the NSG is the final hurdle for the deal, discounting difficulties that may arise in pushing the 123 Agreement through the U.S. Congress. The Charge stressed that the USG is working hard to secure agreement in the NSG. Sharma spoke positively about cooperation in other areas of the bilateral relationship, highlighting opportunities in science and technology and agriculture. End Summary.

NSG Exemption - "Accept India as It Is"

12. (SBU) During an August 6 meeting with the Charge d'Affaires, Minister of State for External Affairs Anand Sharma thanked the USG for its efforts to advance the U.S.-India Civil Nuclear Cooperation Initiative and reiterated that India will accept nothing short of an unconditional India-specific exception in the Nuclear Suppliers Group (NSG). Wasting no time on pleasantries, Sharma launched into the discussion of the Nuclear Initiative, noting his discussion with Secretary Rice on the sidelines of the ASEAN Regional Forum in Singapore on July 24, two days after the GOI survived the confidence vote. Sharma repeated the message he said he had delivered to the Secretary: "the government decisively won, not just the vote, but the debate. That is why the opposition created such a spectacle." Prime Minister (PM) Singh had placed the government at risk for this deal; consequently, it would be "virtually impossible for the PM and the government to accept any qualifiers in the NSG."

13. (C) Sharma reminded the Charge that the GOI never promised to sign the Nonproliferation Treaty (NPT). Sharma noted that India's position on the Comprehensive Test Ban Treaty (CTBT) is clear -- the GOI has a unilateral moratorium on testing, but it will only join a treaty if it is "negotiated multilaterally and fairly." He asserted, "We are what we are ... Accept India as it is." Alluding to the

"clean" versus "unconditional" debate surrounding the NSG exception, Sharma suggested that "we must be careful with every statement, every word. Otherwise the press may become trapped on a single word." Sharma remarked that both countries should "break out the champagne" after the NSG exemption passes. Charge reminded Sharma that the U.S. faces an additional hurdle before commencing celebrations - Congress must pass the 123 Agreement in a limited time frame. Sharma stressed that the GOI had mobilized a major diplomatic push to secure IAEA approval; consequently, the GOI believes it is the USG's turn to be the "engine" for the initiative in the NSG and U.S. Congress.

¶4. (SBU) Sharma was a GOI special envoy to several NSG and IAEA member capitals in the run-up to the BOG meeting. In his travels, he explained to skeptics that India already operates 14 nuclear power plants and plans to "aggressively" pursue construction of additional plants to meet the country's enormous energy demands. According to Sharma, the NSG cannot prevent this and shutting out India from the nonproliferation regime does not serve to strengthen it; rather, it is in the interest of both India and the global community to be part of the nuclear mainstream.

#### Broadening Relations - S&T and Ag

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¶5. (SBU) Moving forward, Sharma identified science and technology (S&T) and agriculture as the most promising areas for closer U.S.-India collaboration. He noted that the global food crisis has motivated the GOI to boost current

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funding for agricultural initiatives. Sharma acknowledged the U.S. support India received for its first "green revolution" and he believes the time has come for a second one. While India is self-sufficient in terms of its ability to feed the population, Sharma commented that "agriculture is the mainstay of Indian society's stability." Joint Secretary for the Americas Gaitri Kumar, also present, raised that the GOI positively views the U.S. concept of a four pillar proposal for future bilateral agricultural cooperation, following on the achievements under tdq)QXJQa, addressing environmental sustainability, and promoting agricultural finance and insurance programs. On S&T, Sharma relayed that India plans to pursue "clean energy" options beyond nuclear energy. He also commended the U.S. on its "enormous strengths in biotech and nanotech," noting that while India has its own strengths, it hopes to learn from American scientists in these areas.

¶6. (SBU) The Charge highlighted education as another important dimension of the bilateral relationship, noting that 74 American universities expressed interest in establishing a presence in India last year. He asked whether there had been progress made in the law governing outside educational institutions, to which Sharma replied "eventually partnerships will happen." He predicted that future institutions would follow the model of the Indian Business School in Hyderabad. Sharma noted that the GOI has prioritized the opening of new higher learning institutes with 1,000 new polytechnics opening before year-end. He admitted that India is "not an easy environment" in which to start new ventures, even for the GOI. On financial liberalization, Sharma noted that PM Singh designed the current liberalization plan and he will "do what he thinks is required." Kumar added that the GOI is currently looking for ways to increase FDI in the retail and insurance sectors. Sharma cautioned that reforms will be "gradual," especially as the "economic slowdown has affected everyone."

¶7. (SBU) Sharma briefly touched on defense cooperation and terrorism, agreeing with the Charge's commendation of the expanding defense dynamic of the bilateral relationship. Sharma highlighted the success of joint military exercises and expressed his hope that they continue. He also addressed

recent calls in the media for a centralized organization to combat terrorism, noting that the GOI "will eventually move in that direction," adding, "There is already close coordination between the central and state intelligence agencies." Sharma admitted that the Indian intelligence services had failed to keep pace with the "real threat" that terrorism poses and that closer coordination between agencies is needed. He hopes that recent events have "diluted the egos" of individual agencies.

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